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Guarding Against the Oil 'Weapon'

Secret White House papers refer to oil as a "weapon" which the Arabs have turned against the West. This has prompted top strategists to consider "retributive actions" that the United States might take to protect its economic interests.

"The United States has at its disposal a number of economic options which, while not acting directly to attenuate the effect of Arab actions, can nevertheless have the effect of raising to a painfully high level the political and economic costs . . ." declares a secret National Security Council study.

But it warns that these moves could backfire. "Many are difficult to manage, and some are not likely to work at all . . ." the study states. "All hold the considerable danger of increasing pressure on and removing restraints from [the Arabs]," thus provoking them "to move immediately to higher and more damaging levels of economic action."

The alternative would be armed intervention, which the policymakers believe would be morally repugnant and militarily naive. The oil facilities would probably be destroyed, benefiting no one but the Soviets who are self-sufficient in oil.

A secret Central Intelligence Agency study traces the oil offensive back to the 1973 Arab-Israeli war. Two weeks after the outbreak, the Arab oil ministers met in Kuwait. They agreed, in effect, to rig oil prices and began by raising the posted price from \$3 to \$5.12 per barrel. This was followed within three months by a breathtaking boost to \$11.65 per barrel.

The exorbitant increases have sent

most other prices soaring and have undermined the economic strength of the West. Without firing a shot, the oil sheikdoms have looted the treasuries of the industrial nations and have engineered the most massive transfer of wealth in history.

This has encouraged other prospective cartels to seek ways to stick it to the industrial powers. Declares a secret Defense Department paper: "The success of OPEC [Organization of Petroleum Exporting Countries] in using its oil weapon to inflict a major economic setback on the developed nations has served to arouse the awareness of other supplies of raw material to the potential coercive power which they possess."

The Washington Special Action Group, which was created in 1969 to monitor crises for the White House, met on Jan. 14, 1975, to consider how best to cope with this economic warfare, Arab-style.

The WSAG strategists concluded in an April 24, 1975, secret memo that "the Arab oil producing states would be increasingly motivated to use their control of oil resources, and possibly such economic power as might be available in the use of their financial assets, to place a range of pressures on the United States and the industrial world to achieve political ends in the Middle East."

A number of countermeasures were analyzed, ranging from financial retaliation to "a trade embargo directed against the Arab states." But each move was largely dismissed as ineffective or counterproductive.

A related Defense Department study identified the basic problem, which is

"the declining state of relations between the United States and some of its allies." The oil crisis has "the modern industrial democracies—military allies of each other—pursuing separate and frequently conflicting political and economic policies," the document declares.

It suggests that our industrial allies are wary of U.S. leadership because "we are less vulnerable to oil policy coercion, and we show signs of weakened ability or will to provide the leadership which many expect of us."

The most drastic way the United States might strike back, short of military action, would be to block or confiscate Arab assets in the United States. But this, warns the study, "would have little immediate impact on the domestic economies of the targeted countries," unless the other financial powers joined in the action. Confiscation would also "considerably increase the danger of a backlash leading to higher levels of retributive counteractions by the [Arab] states against the United States."

The big worry inside the White House is that the Arabs might direct another oil embargo against the United States. A special National Intelligence Estimate, dated March 27, 1975, concluded that "short of war, it was doubtful that an embargo would be employed."

But the CIA has continued to warn that "the oil weapon could be used" in the event of Arab-Israeli hostilities. "A new embargo," the CIA anticipates, "would probably involve cuts in Arab exports on the order of 60 percent and would continue for a longer period than in 1973; the Arabs believe they turned the tap on again too soon last time."